

Vote Customs

APPROPRIATION MINISTER(S): Minister of Customs (M21), Minister for COVID-19 Response (M103)

DEPARTMENT ADMINISTERING THE VOTE: New Zealand Customs Service (A3)

RESPONSIBLE MINISTER FOR NEW ZEALAND CUSTOMS SERVICE: Minister of Customs

Overview of the Vote

The Minister of Customs is responsible for the efficient and timely collection of Crown revenue, forecast to be \$15.491 billion in the 2021/22 financial year.

The Minister of Customs is responsible for the departmental appropriations in the Vote for the 2021/22 financial year covering the following:

- a total of over \$103 million for services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations and enforcement
- a total of over \$90 million for services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement
- a total of over \$39 million for the collection of Crown Revenue, the provision of Customs-related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs, and
- a total of over \$21 million for capital investment in departmental assets.

The Minister of Customs is responsible for a capital injection of \$40.300 million to the New Zealand Customs Service for the 2021/22 financial year.

The Minister of Customs is responsible for the multi-year appropriation in the Vote for the 2021/22 financial year of just under \$22 million for the provision of services related to mitigating the risk of COVID-19 being transmitted across the maritime border.

The Minister of Customs is responsible for the non-departmental appropriations in the Vote for the 2021/22 financial year covering the following:

- a total of \$8 million to provide for doubtful debts on revenue collected for the Crown, and
- a total of \$80,000 for payment of New Zealand's annual contribution to the World Customs Organization's operating budget.

The Minister for COVID-19 Response is responsible for a departmental appropriation in the Vote for the 2021/22 financial year covering:

- a total of \$1.500 million for services relating to policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.

Details of these appropriations are set out in Parts 2-4.

Details of Appropriations and Capital Injections

Annual Appropriations and Forecast Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Border System Performance (M103) (A3) This appropriation is limited to policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.	750	750	1,500
Goods Clearance and Enforcement (M21) (A3) This appropriation is limited to the provision of services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations and enforcement.	116,560	116,560	103,679
Revenue Collection and Other Services (M21) (A3) This appropriation is limited to the collection of Crown Revenue, the provision of Customs-related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.	41,734	41,734	39,588
Travellers Clearance and Enforcement (M21) (A3) This appropriation is limited to the provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement.	66,139	66,139	90,234
Total Departmental Output Expenses	225,183	225,183	235,001
Departmental Capital Expenditure			
New Zealand Customs Service - Capital Expenditure PLA (M21) (A3) This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.	27,203	27,203	21,054
Total Departmental Capital Expenditure	27,203	27,203	21,054
Non-Departmental Other Expenses			
Change in Doubtful Debt Provision (M21) (A3) Provisioning of Doubtful Debts on Customs Crown Revenue.	24,000	24,000	8,000
World Customs Organization (M21) (A3) New Zealand's contribution to the operating budget of the WCO.	80	80	80
Total Non-Departmental Other Expenses	24,080	24,080	8,080
Total Annual Appropriations and Forecast Permanent Appropriations	276,466	276,466	264,135

Multi-Year Appropriations

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
Departmental Output Expenses		
COVID-19 - Maritime Response (M21) (A3)	Original Appropriation	44,020
This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.	Adjustments to 2019/20	-
	Adjustments for 2020/21	-
Commences: 01 September 2020	Adjusted Appropriation	44,020
Expires: 30 June 2022	Actual to 2019/20 Year End	-
	Estimated Actual for 2020/21	22,157
	Estimate for 2021/22	21,863
	Estimated Appropriation Remaining	-

Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Annual Appropriations and Forecast Permanent Appropriations	276,466	276,466	264,135
Total Forecast MYA Departmental Output Expenses	22,157	22,157	21,863
Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations	298,623	298,623	285,998

Capital Injection Authorisations

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21) (A3)	58,797	58,797	40,300

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Implementing the Maritime Border Order	COVID-19 - Maritime Response Departmental Output Expense	30,700	9,300	-	-	-
Collective Responsibility for an Integrated Border System and COVID-19 Border Defences	Border System Performance Departmental Output Expense	750	1,500	-	-	-
Total Initiatives		31,450	10,800	-	-	-

1.2 - Trends in the Vote

Summary of Financial Activity

	2016/17	2017/18	2018/19	2019/20	2020/21		2021/22			2022/23	2023/24	2024/25
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	187,846	195,962	204,695	211,588	247,340	247,340	256,864	-	256,864	235,305	233,579	233,579
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	4,575	2,445	5,754	14,240	24,080	8,080	-	8,080	8,080	8,080	8,080	8,080
Capital Expenditure	5,154	15,720	18,988	20,396	27,203	27,203	21,054	-	21,054	21,054	21,054	21,054
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	197,575	214,127	229,437	246,224	298,623	282,623	277,918	8,080	285,998	264,439	262,713	262,713
Crown Revenue and Capital Receipts												
Tax Revenue	13,269,756	14,379,202	15,543,142	15,107,873	14,612,000	14,612,000	N/A	15,829,000	15,829,000	16,636,000	17,290,000	17,866,000
Non-Tax Revenue	-	-	-	8,003	8,672	8,672	N/A	8,772	8,772	8,772	8,772	8,772
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	13,269,756	14,379,202	15,543,142	15,115,876	14,620,672	14,620,672	N/A	15,837,772	15,837,772	16,644,772	17,298,772	17,874,772

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Annual Appropriations and Forecast Permanent Appropriations and Multi-Year Appropriations in the Details of Appropriations and Capital Injections.

Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

1.3 - Analysis of Significant Trends

Significant changes in each appropriation category for Vote Customs are discussed below.

Departmental Output Expenses

Over the last five years (comparing the total for 2016/17 of \$187.846 million and the Estimated Actual for 2020/21 of \$247.340 million), the net funding for Vote Customs has increased by \$59.494 million. The net change in the total appropriation primarily relates to additional operational funding for:

- managing our border through the implementation and ongoing operation of next-generation SmartGate automated passenger processing technology - funding of nearly \$4.400 million
- improving the efficiency and effectiveness of the Border Sector (a suite of initiatives in the Business Growth Agenda Export Markets work stream) - funding of nearly \$5.700 million
- Drug Smuggling Networks: Strategic Disruption initiative - funding of \$17.905 million
- Combating the Sexual Exploitation of Children Across our Cyber Border initiative - funding of \$2.105 million
- a new activity in response to the impact of the COVID-19 pandemic to mitigate the risk of the virus crossing the maritime border - funding of \$22.157 million in 2020/21
- a new activity to support the establishment and activities of the Border Executive Board - funding of \$750,000 in 2020/21, and
- growth in the number of passengers and volume of goods imported.

Annual appropriations for the purchase of departmental outputs is a total of \$256.864 million for 2021/22, an increase of \$9.524 million above the 2020/21 appropriation. The net change in the total appropriations primarily relates to:

- an increase of \$3.700 million for the one-off transfer in 2020/21 for the redeployment of Customs' staff who were required to perform new or varied tasks (including the performance of tasks at the maritime border) in response to the COVID-19 pandemic
- an increase of \$2.901 million for capital charge on capital injections received in 2020/21
- transfers in funding of \$1.386 million from 2020/21 for various initiatives, and
- an increase of \$750,000 to support the Border Executive Board.

Departmental output expenses are currently expected to decrease to \$233.579 million by 2024/25. The decrease mainly reflects the planned cessation of additional tasks performed by Customs in mitigating the risk of COVID-19 crossing the maritime border.

Departmental Capital Expenditure

The capital expenditure funding trend reflects the timing and level of capital expenditure for replacement and renewal of existing assets and additional capital investments.

Total forecast capital expenditure for 2021/22 is \$21.054 million, a decrease of nearly \$6.148 million from the estimated 2020/21 spend of \$27.203 million. The decrease in this appropriation is due to the completion of a large capital project in 2020/21 and projects delayed because of the COVID-19 pandemic.

Non-Departmental Other Expenses

Almost all of the funding in this category is the amount provided to provision for doubtful debts relating to Crown Revenue managed by Customs. There was a large increase in the amount of funding provided in 2020/21 to manage the risk of increased doubtful debts in response to the COVID-19 pandemic.

From 2021/22 onwards estimated/budgeted non-departmental other expenses remain steady over the forecast period.

The Appropriation for ACC Equivalent Cover is no longer required with changes to ACC legislation in 2019.

Crown Revenue

The New Zealand Customs Service collects tax revenue on behalf of the Crown by way of customs duty and GST on imports, together with excise duty on domestically manufactured alcohol, tobacco, petroleum products, and excise equivalent duty on the same products imported into New Zealand. The GST on imports is the major revenue source.

The total Tax Revenue collected by the New Zealand Customs Service has increased each year over the last five years, with the exception of 2020/21 due to the impact that the COVID-19 pandemic had on goods crossing the border. Treasury forecasts the amount collected by the New Zealand Customs Service to recover and increase to \$17,866 million by 2024/25.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Border System Performance (M103) (A3)

Scope of Appropriation

This appropriation is limited to policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.

Expenses and Revenue

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	750	750	1,500
Revenue from the Crown	750	750	1,500
Revenue from Others	-	-	-

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve an end-to-end border process that integrates health risk management and strategic border system improvements. This will be achieved through the provision of support to the Border Executive Board to enable it to provide policy and investment advice to assist effective decision-making, design and coordination for the border system to improve the wellbeing of New Zealanders.

How Performance will be Assessed and End of Year Reporting Requirements

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
The Border Executive Board has a risk and assurance framework for the end-to-end border process with respect to COVID-19	Achieved	Achieved	Achieved
Satisfaction of the Minister for COVID-19 Response with the provision of coordination, information and advice	Meets expectations	Meets expectations	Meets expectations

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

Reasons for Change in Appropriation

The increase of \$750,000 in this appropriation for 2021/22 is due to funding only covering part of the year when introduced in 2020/21. Funding for 2021/22 reflects the required level for an entire year.

COVID-19 - Maritime Response (M21) (A3)

Scope of Appropriation and Expenses

Type, Title, Scope and Period of Appropriations	Appropriations, Adjustments and Use	\$000
COVID-19 - Maritime Response (M21) (A3) This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border. Commences: 01 September 2020 Expires: 30 June 2022	Original Appropriation	44,020
	Adjustments to 2019/20	-
	Adjustments for 2020/21	-
	Adjusted Appropriation	44,020
	Actual to 2019/20 Year End	-
	Estimated Actual for 2020/21	22,157
	Estimate for 2021/22	21,863
	Estimated Appropriation Remaining	-

Revenue

	Budget \$000
Revenue from the Crown to end of 2021/22	43,750
Revenue from Others to end of 2021/22	270
Total Revenue	44,020

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve border processes to mitigate the risk of transmission of COVID-19 into New Zealand across the maritime border.

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Percentage of international maritime ports where Customs maintains a presence to deter non-compliance with the Maritime Border Order	100%	100%	100%
Percentage of identified non-compliance instances (see Note 1) at maritime ports that are met with an appropriate response by Customs	New measure	-	100%

Note 1 - The majority of non-compliance is breaches of personal protective equipment (PPE) usage and social distancing requirements, however isolation and security breaches and other activity in violation of the Maritime Border Order is also captured by this measure. There is no estimated actual for 2020/21 for this measure as the refined reporting to enable measurement will commence in late 2020/21.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

Goods Clearance and Enforcement (M21) (A3)

Scope of Appropriation

This appropriation is limited to the provision of services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations and enforcement.

Expenses and Revenue

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	116,560	116,560	103,679
Revenue from the Crown	74,668	74,668	54,414
Revenue from Others	43,481	43,481	58,035

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes for trade to and from New Zealand, to improve the wellbeing of New Zealanders.

How Performance will be Assessed and End of Year Reporting Requirements

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Service provision and trade promotion			
Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes (of an estimated 15 million-16 million import transactions, 5.5 million-6.5 million export transactions, and 6,500-7,500 excise returns)	95%	98.0%	98%
Minimum number of new companies that have formally entered Customs' Authorised Economic Operator (Secure Exports Scheme) programme	New measure	16	16
Clearance, compliance and risk management			
Minimum percentage of import transactions not requiring intervention after risk assessment (see Note 1)	Amended measure	98.2%	98%
Minimum percentage of export transactions not requiring intervention after risk assessment (see Note 1)	Amended measure	99.2%	99%
Number of import mail items (estimated 15 million-25 million items) subject to risk-based physical examination	New measure	10,000	8,000-12,000
Minimum result rate of physically examined mail items (estimated 8,000-12,000 items)	New measure	30.0%	30%
Minimum number of import trade (estimated 1.2 million -1.8 million import entries and 13.8 million-14.2 million ECIs) entries that are subject to risk-based physical examination	New measure	120,000	100,000-150,000

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Minimum number of random interventions of import trade conducted (under Customs' Assurance programme) (see Note 2)	6,000	7,000	6,270
Investigations and enforcement			
Minimum percentage of investigations (see Note 3), related to import or export of prohibited or restricted goods, where prosecution is initiated (see Note 4)	New measure	75.0%	75%

Note 1 - 'Intervention' means action by Customs to carry out further risk assessment. This may include, but is not limited to, document inspection, screening or search.

Note 2 - Customs' Assurance programme conducts randomised compliance checks of imported goods crossing the border. The standard of 6,270 interventions is the minimum sample required for the assurance model to provide a valid representation of the population. These interventions include random sampling of fast freight, mail, and air and sea cargo (import entries and electronic cargo information (ECI) consignments).

Note 3 - 'Investigations' refers to investigations completed by the Customs Investigations Unit (CIU). This measure excludes actions taken by other units within Customs (for example the Frontline Investigations Team) or in relation to Intellectual Property Rights.

Note 4 - 'Prosecution initiated' refers to a closed high priority investigation where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or any other agency.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Reprioritisation of Funding - Finding Savings through the Cost Recovery Review	2019/20	(765)	(766)	(766)	(766)	(766)
Drug Smuggling Networks: Strategic Disruption	2018/19	7,820	7,302	7,302	7,302	7,302

Reasons for Change in Appropriation

The decrease of \$12.881 million in this appropriation for 2021/22 is mainly due to:

- a one-off increase of \$13.571 million in 2020/21 for a fiscally neutral transfer between departmental appropriations to reflect the redeployment of Customs staff who were required to perform new or varied tasks in response to the COVID-19 pandemic; and through the application of a more accurate methodology for the allocation of costs between departmental appropriations.

This is partially offset by:

- an increase of \$727,000 due to a series of transfers to 2021/22 to fund projects that will continue into this year:
 - the Enhanced Intelligence Tools Initiative (\$405,000)
 - the Border Cash Reporting initiative (\$200,000)
 - disrupting and dismantling the supply of methamphetamine in to New Zealand (\$122,000).

Memorandum Account

	2020/21		2021/22
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Goods Clearance and Enforcement Memorandum Account			
Opening Balance at 1 July	-	-	-
Revenue	-	-	44,671
Expenses	-	-	(44,671)
Transfers and Adjustments	-	-	-
Closing Balance at 30 June	-	-	-

Memorandum accounts record the accumulated balance of surpluses and deficits incurred for outputs provided to third party users of those services on a full cost recovery basis. The Goods Clearance Fee memorandum account records both the revenues from, and costs of, clearing certain goods across the border.

The Memorandum account allows for the fact that revenue and expenses will not equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years). Goods Clearance Fees payable to Customs by the importers and exporters of goods are set at a level that is designed to bring any accumulated surplus or deficit to zero over the three-year levy period.

Revenue Collection and Other Services (M21) (A3)

Scope of Appropriation

This appropriation is limited to the collection of Crown Revenue, the provision of Customs-related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.

Expenses and Revenue

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	41,734	41,734	39,588
Revenue from the Crown	32,932	32,932	29,486
Revenue from Others	8,802	8,802	10,102

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve a well-functioning Customs Service that collects Crown Revenue to improve the wellbeing of New Zealanders.

How Performance will be Assessed and End of Year Reporting Requirements

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Revenue collection			
Minimum percentage of revenue that is collected by the due date	98%	98.0%	98%
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.03%	0.06%
Clearance, compliance and risk management			
Minimum number of risk-based trade compliance audit activities undertaken	New measure	108	200-300
Minimum percentage of a random sample of import entries that are found to be accurate through the transactional verification process	90%	90.0%	90%
Minimum percentage of investigations (see Note 1), related to fraud, financial crime and tax evasion, where prosecution is initiated (see Note 2)	New measure	75.0%	75%
Policy advice			
Assessment of the quality of a sample of the agency's policy papers:			
a) Minimum average score of papers	3.5 out of 5	3.5	3.5 out of 5
b) Minimum score of papers	100% above 3, 25% above 4	100% above 3, 25% above 4	100% above 3, 25% above 4
Satisfaction of the portfolio Minister with the policy advice service	3.75 out of 5	3.75	3.75 out of 5

Assessment of Performance	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Ministerial servicing			
Satisfaction of the portfolio Minister with ministerial servicing	Meets expectations	Meets expectations	Meets expectations
Minimum percentage of draft replies to ministerial correspondence (estimated between 40-70 items) that are provided within 20 working days or as agreed with the Minister (see Note 3)	95%	96.0%	95%
Percentage of draft responses to parliamentary questions (estimated between 50-80 items) that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%	100%
Other services			
Percentage of external alerts processed in accordance with alert instructions	100%	100%	100%
Minimum percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days	New measure	80.0%	80%

Note 1 - 'Investigations' refers to investigations completed by the Customs Investigations Unit (CIU). This measure excludes actions taken by other units within Customs (for example the Frontline Investigations Team) or in relation to Intellectual Property Rights.

Note 2 - 'Prosecution initiated' refers to a closed high priority investigations where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or any other agency.

Note 3 - For the purposes of this measure, 'working day' means a working day as defined in the Official Information Act 1982.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Combating the Sexual Exploitation of Children Across our Cyber Border	2019/20	2,105	2,160	2,179	2,179	2,179
Drug Smuggling Networks: Strategic Disruption	2018/19	2,856	2,786	2,786	2,786	2,786

Reasons for Change in Appropriation

The decrease of \$2.146 million in this appropriation for 2021/22 is mainly due to:

- a one-off increase of \$2.718 million in 2020/21 for a fiscally neutral transfer between departmental appropriations to reflect the redeployment of Customs staff who were required to perform new or varied tasks in response to the COVID-19 pandemic; and through the application of a more accurate methodology for the allocation of costs between departmental.

This is partially offset by:

- an increase of \$650,000 due to the transfer of funding to 2021/22 for the Pacific Partnership Programme.

Travellers Clearance and Enforcement (M21) (A3)

Scope of Appropriation

This appropriation is limited to the provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations and enforcement.

Expenses and Revenue

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	66,139	66,139	90,234
Revenue from the Crown	3,197	3,197	5,638
Revenue from Others	(18,471)	(18,471)	8,148

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes for travel to and from New Zealand, to improve the wellbeing of New Zealanders.

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Sea			
Percentage of arriving commercial marine craft assessed as high risk or requiring administrative process (estimated 400-500 commercial craft) that are subject to planned interaction while in a New Zealand port (see Note 1)	100%	100%	100%
Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction (see Note 2)	Returning measure	-	5%
Minimum percentage of arriving small craft (estimated 150-250 small craft) subject to Customs secondary interaction (see Note 2)	New measure	-	10%

Assessment of Performance	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Air			
Minimum percentage of arriving international air passengers and crew (estimated 150,000-250,000 passengers and crew) not requiring intervention after risk assessment (see Note 3)	Amended measure	99.3%	98%
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.4%-0.7%	0.7%	0.4%-0.7%
Result rate of secondary searches of arriving international air passengers and crew (see Note 4)	6.0%-10.0%	8.0%	6.0%-10.0%
Minimum number of random interventions of travellers conducted (under Customs' Assurance programme) (see Note 5)	Returning measure	-	2,000
Investigations and enforcement			
Minimum percentage of investigations (see Note 6), related to travellers and their possessions, where prosecution is initiated (see Note 7)	New measure	75.0%	75%

Note 1 - Planned interaction will be required for all craft showing a high (Priority 1) risk, craft visiting New Zealand for the first time, craft where information is incomplete, and craft where a visit is needed to complete an administrative process (such as immigration or bonding ships stores).

Note 2 - Secondary interaction means any interaction undertaken over and above the initial boarding and clearance function and may range from talking to the crew to a full rummage. The outputs maintain high levels of compliance, and act as a check on risk assessments. The measure 'Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction' was removed for 2020/21 through The Supplementary Estimates of Appropriations 2020/21 but has returned for 2021/22.

Note 3 - 'Intervention' means action by the New Zealand Customs Service to carry out further risk assessment. This may include, but is not limited to, further questioning, interview, or baggage search. This excludes passengers who interact with Customs because they voluntarily seek out Customs' help or declare items.

Note 4 - An estimated 50%-60% of travellers selected for further risk assessment are subject to a secondary search. A positive result is any outcome of a secondary search that supports the person/item being risk-profiled. This includes, but is not limited to, finding dutiable, prohibited, or undeclared items; or referral to another border control agency. The result rate does not include any interceptions, seizures, or arrests that occur at a later date or at a location outside of the international airport of entry that may have been the result of information/intelligence gathered from a secondary search.

Note 5 - Customs' Assurance programme conducts randomised compliance checks of travellers crossing the border. The standard of 2,000 interventions is the minimum sample required for the assurance model to provide a valid representation of the population. These interventions include random sampling of arriving international air passengers. This measure was removed for 2020/21 through The Supplementary Estimates of Appropriations 2020/21 but has returned for 2021/22.

Note 6 - 'Investigations' refers to investigations completed by the Customs Investigations Unit (CIU). This measure excludes actions taken by other units within Customs (for example the Frontline Investigations Team) or in relation to Intellectual Property Rights.

Note 7 - 'Prosecution initiated' refers to a closed high priority investigations where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or any other agency.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2020/21 Final Budgeted \$000	2021/22 Budget \$000	2022/23 Estimated \$000	2023/24 Estimated \$000	2024/25 Estimated \$000
Drug Smuggling Networks: Strategic Disruption	2018/19	7,229	7,224	7,224	7,224	7,224

Reasons for Change in Appropriation

The increase of \$24.095 million in this appropriation for 2021/22 is mainly due to:

- a one-off decrease of \$19.989 million in 2020/21 for a fiscally neutral transfer between departmental appropriations to reflect the redeployment of Customs staff who were required to perform new or varied tasks (including the performance of tasks at the maritime border) in response to the COVID-19 pandemic; and through the application of a more accurate methodology for the allocation of costs between departmental appropriations.

This is partially offset by:

- an increase of \$2.901 million through the receipt of capital charge funding to support a capital injection.

Memorandum Account

	2020/21		2021/22
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Border Clearance Levy Memorandum Account			
Opening Balance at 1 July	(20,441)	(20,441)	-
Revenue	1,308	1,308	8,148
Expenses	(67,867)	(67,867)	(90,234)
Transfers and Adjustments	87,000	87,000	-
Closing Balance at 30 June	-	-	(82,086)

Memorandum accounts record the accumulated balance of surpluses and deficits incurred for outputs provided to third party users of those services on a full cost recovery basis. The Border Clearance Levy memorandum account records both the revenue from, and costs of providing, the border clearance services relating to travellers arriving in and departing New Zealand.

The Memorandum account allows for the fact that revenue and expenses will not equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years). The Border Clearance Levy rates payable to Customs by travellers were set on 1 July 2018 at a level that was designed to bring the accumulated surplus to zero over the three-year levy period.

COVID-19 related border restrictions were introduced in March 2020. This significantly reduced the number of travellers crossing the border and the amount of revenue earned from the Border Clearance Levy. Despite the reduction in traveller volumes, Customs was still required to maintain a presence at the border to safely manage people through the airport and in to managed isolation. This resulted in a large memorandum account deficit. The Government approved a number of capital injections to support Customs' departmental cash flow in response to reduced revenue levels. It has subsequently been agreed that these capital injections can be used to offset the memorandum account deficit at the end of 2020/21.

Customs is consulting with industry groups on a return to full cost recovery over a three-year period beginning in December 2021. The Government has approved a further capital injection to provide Customs with sufficient departmental cash flow from 1 July 2021 to December 2021.

2.3 - Departmental Capital Expenditure and Capital Injections

New Zealand Customs Service - Capital Expenditure PLA (M21) (A3)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	9,539	9,539	9,004
Intangibles	17,664	17,664	12,050
Other	-	-	-
Total Appropriation	27,203	27,203	21,054

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the renewal and replacement of assets in support of the delivery of the New Zealand Customs Service's services.

How Performance will be Assessed and End of Year Reporting Requirements

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles, and office equipment and plant	Achieved	Achieved	Achieved

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its Annual Report.

Reasons for Change in Appropriation

Total forecast capital expenditure for 2021/22 is \$21.054 million, a decrease of nearly \$6.148 million from the estimated 2020/21 spend of \$27.203 million. The decrease in this appropriation is due to the completion of a large capital project in 2020/21 and projects delayed because of the COVID-19 pandemic.

*Capital Injections and Movements in Departmental Net Assets***New Zealand Customs Service**

Details of Net Asset Schedule	2020/21 Estimated Actual \$000	2021/22 Projected \$000	Explanation of Projected Movements in 2021/22
Opening Balance	161,689	140,132	
Capital Injections	58,797	40,300	The majority of these capital injections relate to funding received by Customs to address cash flow issues in response to COVID-19 related reductions in third party revenue. The reduction is due to the difference in forecast third party revenue between the two years.
Capital Withdrawals	(530)	-	
Surplus to be Retained (Deficit Incurred)	(79,824)	(67,678)	The reduction in the deficit reflects an expected gradual recovery in the number of travellers crossing the border, resulting in increased third party revenue.
Other Movements	-	-	
Closing Balance	140,132	112,754	

Part 3 - Details of Non-Departmental Appropriations

3.4 - Non-Departmental Other Expenses

Change in Doubtful Debt Provision (M21) (A3)

Scope of Appropriation

Provisioning of Doubtful Debts on Customs Crown Revenue.
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Expenses

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	24,000	24,000	8,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the provisioning for doubtful debts on revenue collected by the New Zealand Customs Service on behalf of the Crown.

How Performance will be Assessed and End of Year Reporting Requirements

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.03%	0.06%

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Customs (the Appropriation Minister) in a report appended to the New Zealand Customs Service's Annual Report.

Reasons for Change in Appropriation

This appropriation decreased by \$16 million to \$8 million due to the impacts related to COVID-19 on businesses and their ability to settle amounts due for the payment of duty and GST in 2020/21. The provision of \$8 million in 2021/22 reflects a forecast return to a pre-COVID-19 level for this appropriation.

World Customs Organization (M21) (A3)

Scope of Appropriation

New Zealand's contribution to the operating budget of the WCO.
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Expenses

	2020/21		2021/22
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	80	80	80

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve New Zealand meeting its commitment as a member of the World Customs Organization (WCO) to contribute to the running costs of the WCO.

How Performance will be Assessed and End of Year Reporting Requirements

	2020/21		2021/22
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
New Zealand's contribution to the operating budget of the WCO paid by the due date	Achieved	Achieved	Achieved

End of Year Performance Reporting

Performance Information for this appropriation will be reported by the Minister of Customs (the Appropriation Minister) in a report appended to the New Zealand Customs Service's Annual Report.